

## **FISCAL NOTE**

### **HB 2489 - SB 2607**

February 1, 2002

**SUMMARY OF BILL:** Establishes a surety bond demand procedure relating to public contracts as follows:

- requires a surety to respond to a demand made on a surety bond for a public contract within 30 days of receipt of the demand. If payment of the demand is withheld, the surety must deposit the amount of the demand in an escrow account with the State Treasurer within 10 days of the refusal. The escrow account shall be maintained and invested by the Treasurer as a state asset until the latter of either (a) one year from the date of deposit; or (b) a court order is entered directing the Treasurer to pay the money to the prevailing party. The Treasurer shall pay interest at the same rate that interest is paid on funds invested in a local government investment pool.
- requires that demands made by the State Building Commission on contractor's sureties must be in writing, mailed return receipt registered mail, and delivered to such sureties.
- provides that bonding companies are estopped, in any proceeding to enforce the liability which it has assumed to incur, from denying its corporate power to execute or guarantee such instrument or assume such liability regardless of whether or not the principal failed to perform.

### **ESTIMATED FISCAL IMPACT:**

#### **Increase State Expenditures - Not Significant**

Estimate assumes:

- Any cost to the State Treasurer for administering and maintaining escrow accounts related to the bill will be covered by the administrative fee assessed on the account earnings.
- Any additional postage costs required by the State Building Commission will be not significant and can be absorbed within existing resources.

### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director

**HB 2489 - SB 2607**